

~~SECRET~~ VENONA

From: WASHINGTON
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[Part I] To the 8th Department. Information from "REJDER"[i]. As a result of observations on the job in his agency and participation in various official conferences REJDER has told our man about some changes in the mutual relations between the civilian and military agencies.

1. In December and January, when various war industries were sharply increased the "DEPO"[ii] and the War Manpower Commission gave them strong support. BYRNES[iii], director of War Mobilization, issued various directives curtailing civilian production. The DEPO sharply curtailed programs that had been approved by its branches locally permitting the output of small quantities of products for civilian requirements in small plants, reduced the civilian programs for [2 groups unrecovered] railroad equipment, decreased the allotment of materials to non-military programs, and so forth. The War Manpower Commission tightened the limitation on manpower utilization and forced certain transfers of workers for carrying out special programs for filling military orders. The military departments during this time not only increased their orders for war materials, but also sharply increased the programs for articles of civilian need, namely [2 groups unrecovered], screen cloth, textiles.
2. In recent weeks a marked shift in the conduct of civilian organizations has been noted. The DEPO, [3 groups unrecovered] [B% carried out by] the War Manpower Commission, now maintain that the military departments are placing unjustifiedly large orders, particularly for non-combat items, which are also needed for the civilian economy, [B% that] the production of a minimum quantity of goods for civilians must be permitted [1 group unrecovered] manpower which the military really don't need,

[14 groups unrecoverable]

which could be indirectly used in the war, that the military should be limited to a certain extent in their procurements. The military departments, on the other hand, have not retreated from their position of resistance to any production or activity for which they actually do not feel a direct need.

[Part II] 3. Perhaps the most striking expression of this new line of the DEPO's was a statement made by Hiland BATCHELLER[iv], Deputy Chairman of the DEPO (at that time Acting Chairman, as KRUG[v] was then absent), at a meeting of the Production Executive

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Committee on 12 March. From information received from a leading person who was present at the meeting it is known that BATCHELLER stated fairly openly

(Part III) [3 groups unrecovered + 273 not yet available]
 [150 groups not yet available + 5 unrecovered]

at Philadelphia. It is also hard to believe that this position is connected in any way with the movement among reactionary congressmen to restrict [B% export] [one group unrecovered]

[44 groups unrecoverable]

is (are) not directed against war production, but in many respects amount(s) to support of it, especially in cases where a firm stand by the military may impede production. On the other hand, in the conduct of the heads of the military departments it has been possible for a long time to see traces of political pressure exerted on them. For example, the proposal to build an additional airport at NEW YORK in order to relieve the growing pressure of military and ordinary civilian air transport on the overloaded main field has been shelved and [one word unrecovered] by the military departments. Mayor LA GUARDIA[vii] and others have visited WASHINGTON and written sharp letters of protest to KRUG. On 15 March this question was under discussion in the production review committee [viii], where the vote was 9 to 5 on construction of the airport. The 5 votes cast against it were those of the military members. They made a protest against this decision in the Production Executive Committee, which [5 groups unrecovered] would support the opinion of the production review committee[vii].

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VADIM[viii]

Comments:

- [i] REJDER: i.e. RAIDER, Victor PERLO.
- [ii] DEPO, i.e. DEPOT: War Production Board.
- [iii] BYRNES: James F. BYRNES, Director of the Office of War Mobilization and Reconversion.
- [iv] BATCHELLER: Hiland G. BATCHELLER, Deputy Chairman, War Production Board.
- [v] KRUG: Julius Albert KRUG, Chairman of the War Production Board.
- [vi] LA GUARDIA: Fiorello LA GUARDIA, Mayor of NEW YORK City.
- [vii] Production Readjustment Committee?
- [viii] VADIM: Anatolij Borisovich GROMOV, 1st Secretary at the Soviet Embassy in WASHINGTON.

12 July 1976